

12 FUNDING SOURCES FOR YOUR ENERGY PROJECT

geatain
SIMPLE LL97 COMPLIANCE





AGENDA

Overview 2:00

Federal 179D Program 2:02

PACE Financing 2:06

Renewable Energy Credits (RECS) 2:10

Remaining Funding Sources 2:13

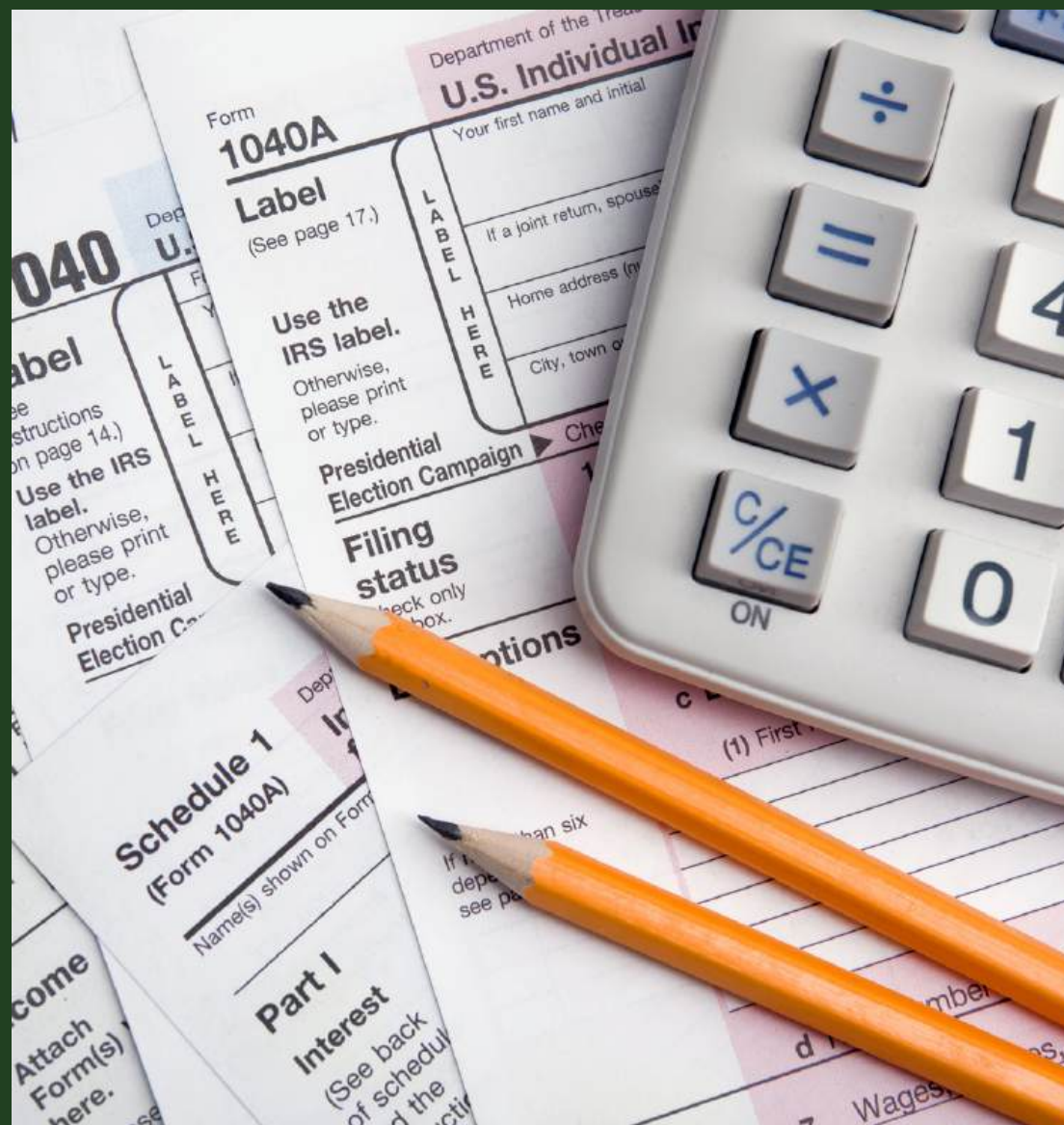
Q & A 2:25

PREVIEW-MOST FORGOTTEN ENERGY
Local Law Presentation 2:30

EPACT 179D OVERVIEW

Commercial Property Assessed Clean Energy (C-PACE) is a special assessment lien that covers 100% of property energy improvements that provides long-term, fixed rate paybacks, structured as a tax payment, passed through as an operating expense.

- Enacted under the Energy Policy Act of 2005
- Tax Deduction for Lighting, HVAC, Building Envelope Projects
 - Deduction level depends on building energy efficiency and project scope
 - Deduction level up to \$5.65 per square foot in 2024 (varies per year)
 - Deductions capped at project cost
- EAct 179D for Design Firms
 - Designers can take the deduction for tax exempt buildings
 - Design firms include architects, engineers, ESCOs, design & build firms, systems designers



EPAct 179D Deduction Levels

\$ 0.57 – 1.13 Per Square Foot	\$ 2.83 – 5.65 Per Square Foot
No Prevailing Wage + Apprenticeship AND Installation Starts After 1/28/2023	Prevailing Wage + Apprenticeship OR Installation Starts Before 1/29/2023

* 2024 Deduction Levels Above

* Deduction level increases annually with inflation adjustment

EPA Act 179D Deduction for Commercial Buildings

- **EPA Act 179D is tax deduction in-lieu of depreciation**
 - Must have depreciable tax basis in building's lighting/HVAC/envelope to utilize
- **Commercial Building Projects Completed 1/1/2006–Present Eligible**
 - Commercial building owners can take prior-year missed deductions without amending
 - Deduction level differs in prior years
- **Commercial New Construction and Apartments (>3 stories) can benefit**
- **Most Commercial Nonresidential Building Retrofits Don't Need 179D**
 - TCJA of 2017 allows for immediate tax deduction/write-off of building improvements
 - Combination of Qualified Improvement property (QIP), Bonus, Repair Regs & section 179
 - Residential buildings (ie., apartment buildings) do not get these TCJA benefits
 - New construction commercial buildings do not get the TCJA benefits



EPAct 179D Deduction for Designers of Tax-Exempt Entities

- **Government Buildings:**

- **Federal**

- Offices, military bases, courthouses, post office, labs

- **State**

- Offices, transportation facilities, state universities, courthouses

- **County, City, Town, Village etc.**

- Offices, K-12 public schools, town halls, police, fire, libraries, municipal parking garages

- **Not-for-Profits**

- Hospitals, religious institutions, private schools and universities, etc.

- **Tribal Government**

- Police/Fire, Community Centers, Retail, Hospitality, etc.



How to Monetize 179D

Two things need to occur to monetize EPAct 179D :

1. Building project related to lighting, HVAC, and/or envelope:

- Lighting installation
- HVAC installation
- Roof installation
- Windows installation
- Lighting/HVAC controls installation

2. The building needs to meet energy efficiency targets

- ASHRAE 90.1-2007 standard for 2016-2026 completed projects (25%+ better)
- ASHRAE 90.1-2019 for projects completed 2027 and later
- Prior building energy usage baseline standard using EUI method (for retrofits)



179D

Case Study Hotel



Square Footage:	250,000
Lighting Technologies:	LED with Controls
HVAC Technologies:	Cooling Tower Variable Frequency Drive
Total Deduction:	\$ 450,000



179D

Case Study School District

Square Footage:	650,000
Number of Buildings:	10
Lighting Technologies:	LED with Controls
HVAC Technologies:	Variable Air Volume Demand Controlled Ventilation
Total Deduction:	\$ 3,484,000

WE DEPLOY CAPITAL EFFICIENTLY & RESPONSIBLY

We deploy capital efficiently where it matters most to our clients.

- Non-recourse, fixed-rate financing available for all asset classes.
- Originally conceived for renovations, energy and water conservation, and weather retrofits.
- Perfect fit for capital stacks for new construction/gut rehab deals.

PROPERTY TYPES*	Multifamily, Industrial, Retail, Hospitality, Senior Living, Office, Self-Storage and Mixed Use
PROJECT TYPE	Gut rehab, adaptive reuse, ground up construction, and renovation
ELIGIBLE IMPROVEMENTS	Energy efficiency, renewable energy, water conservation, flood mitigation**, solar, and seismic retrofit
LOAN TERM	20 30 years, location specific
MAXIMUM LEVERAGE	35% of appraised value, location specific
PREPAYMENT	No lockout but subject to prepayment penalties

C-PACE INCREASES DEVELOPER RETURNS

As specialty financing, C-PACE can be applied to increase developer returns and juice IRRs. PACE Loan Group uses our expertise and creativity to secure the max C-PACE loan that will work within your capital stack.



Substitute Senior Debt



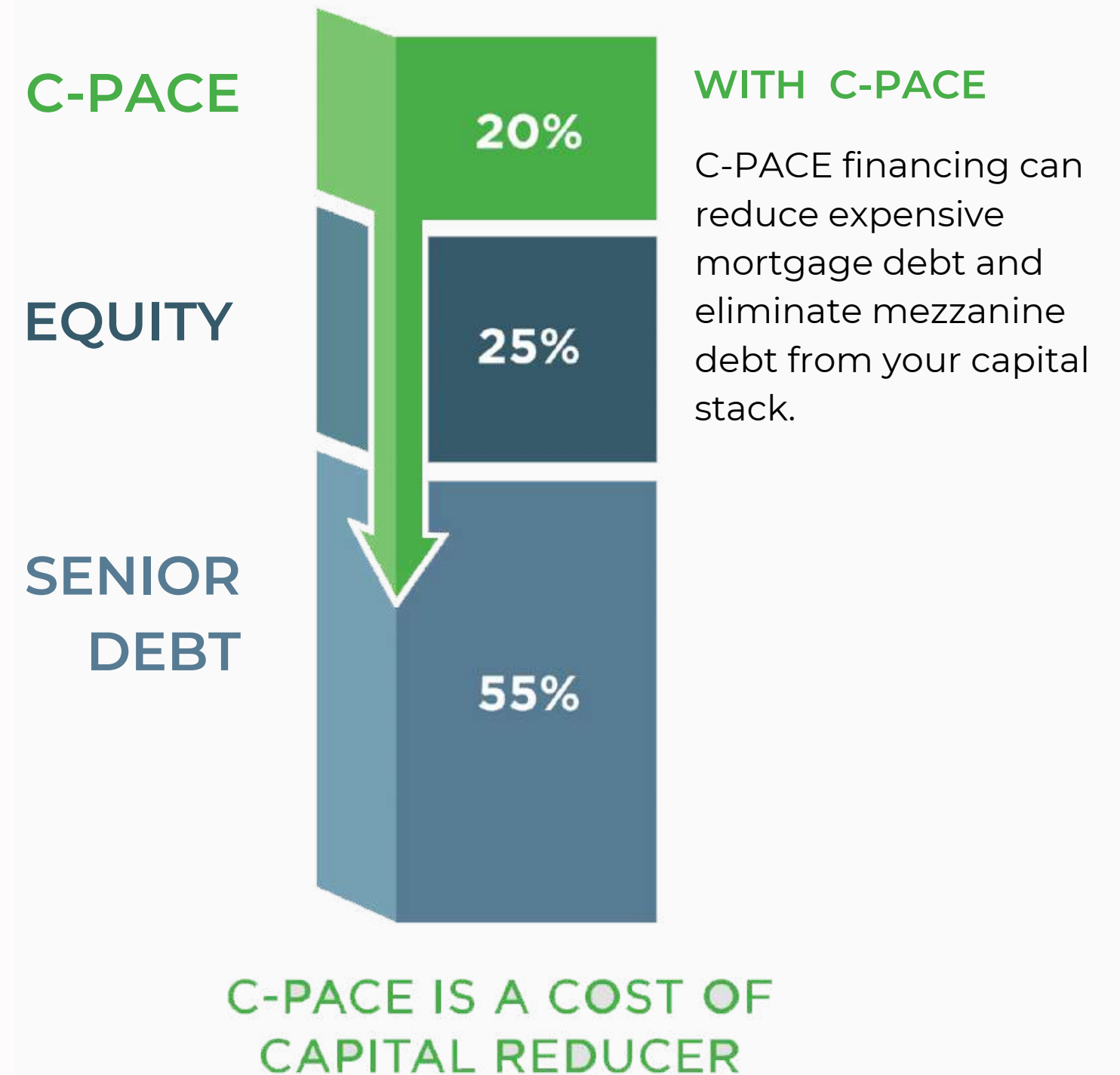
Supplement Highly Structured Deals



Recapture Capital Retroactively

THE CASE FOR C-PACE IN YOUR CAPITAL STACK

- **Hybrid Equity:**
Provides a long-term, fixed-rate payback period.
- **Lowers Cost of Funds:**
Originated at a fraction of the cost of mezzanine debt
EQUITY
- **Pass Through Expense:**
C-PACE is structured as a tax payment and can be passed through as an operating expense on net leases.
- **Cash Flow Positive:**
Reduced utilities and operating expenses often outweigh the annual C-PACE interest payments.
- **Promotes Efficiency and Renewable Energy:**
C-PACE facilitates energy efficient/renewable energy projects which may otherwise be cost prohibitive.



LENDER CONSENT

To date, over 300 national, regional, and local lenders have consented to C-PACE financing. Historically, the most accepting senior lenders have been regional and local banks. Consent is given on a case-by-case basis.

WHY DO SENIOR LENDERS CONSENT?

- C-PACE assessments cannot be accelerated.
- C-PACE does not restrict a senior lender & foreclosure rights.
- Senior lenders may escrow the payments.
- C-PACE funds are fully available as of date of closing.



INFINITI LOFTS

C-PACE was used to finance this hotel to attainable workforce housing conversion near Disney World. This is the largest C-PACE conversion financing in Central Florida.

Key Fact: Blended down expensive senior debt.

LOCATION	Orlando, FL
ASSET TYPE	Multifamily
PROJECT TYPE	Adaptive Reuse
LOAN TERM	30 Years
C-PACE LOAN AMOUNT	\$13,825,000
MEASURES	Building Envelope LED Lighting HVAC Systems Domestic Hot Water Water Fixtures



RENEWABLE ENERGY CREDITS (RECS)

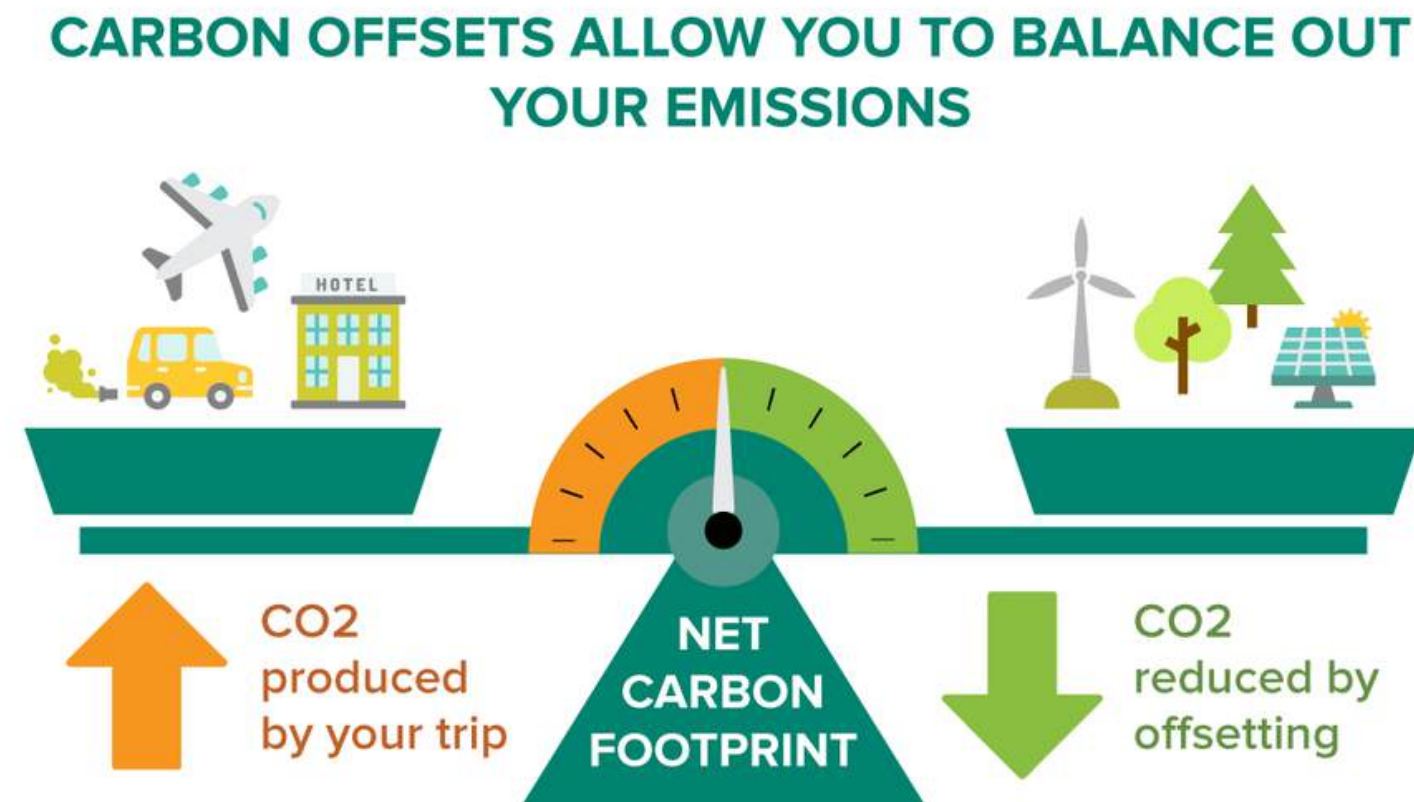
Renewable Energy Credits (RECs) are green certificates for solar or wind power that offset fossil fuel electricity to help comply with local regulations.



CARBON OFFSETS



Carbon offsets represent one saved metric ton of carbon that may be exchanged with another party to balance out carbon removals to achieve net regulatory goals.





NYSERDA

Nyserda drives solar, wind and renewable initiatives to transform state energy infrastructure away from fossil fuels, featuring several opportunities for existing properties to lower monthly energy costs.



NYSERDA

NYCEEC

NYCEEC is a 501(c) nonprofit that provides capital to decarbonizing low-moderate income communities and has mobilized over \$450 million since 2011.





UTILITY INCENTIVES

Utility incentives should be routinely used to offset capital costs of every equipment replacement project.



PRIVATE CAPITAL

Private capital is an attractive funding source after several other sources with lower rates have been investigated.



EQUIPMENT LEASES

Equipment leases provide financing that offset large capital expenses, to provide needed equipment for an agreed period of time.



DEVELOPMENT SHORT-TERM FINANCING



Development short-term financing is typically used for studies and reports to reduce out-of-pocket expenses, to help jumpstart projects.

TURNKEY SOLUTIONS

Turnkey solutions often require no upfront costs using Energy Service Agreements or Power Purchase Agreements to fund energy retrofit projects.





MOST FORGOTTEN ENERGY LOCAL LAW 88

WEBINAR

FEBRUARY 27TH, TUESDAY, 2PM

[https://us02web.zoom.us/j/83877024064?
pwd=UnpqT0wvdWdpOHQySmV5NGd5VDIUZz09](https://us02web.zoom.us/j/83877024064?pwd=UnpqT0wvdWdpOHQySmV5NGd5VDIUZz09)

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Questions?





Geatain Engineering

112 West 34th Street

18th Floor

New York, NY 10120

www.geatain.com

Tom McGovern

Cell (631) 521-3594

tjm@geatain.com